



TESTIMONY OF

HAL F. ROSENBLUTH
CHAIRMAN AND CEO, ROSENBLUTH INTERNATIONAL

BEFORE THE

UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

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Presented By:

Hal F. Rosenbluth
Chairman and CEO
Rosenbluth International
2401 Walnut Street
Philadelphia, Pa. 19103
(215) 977-4801 phone

Testimony of Hal F. Rosenbluth
Chairman and CEO, Rosenbluth International

Mr. Chairman and Members of the Committee on Commerce, Science, and Transportation, my name is Hal F. Rosenbluth, chairman and CEO of Rosenbluth International. I am pleased to have the opportunity to speak with you today. Founded in 1892, Rosenbluth International, the world's third largest travel management company, has been servicing people with their travel plans for over 100 years. I offer this testimony to demonstrate the impact the attacks of September 11, 2001 have had on the travel agency community and to outline my proposed federal aid package. In addition, I will illustrate how the agency community is a vital force in the airline distribution network.

I have included with this testimony, (see Exhibit A), The American Society of Travel Agents' (ASTA) plan for federal travel agency relief. I have carefully reviewed their plan and recommend, at minimum, that the federal relief package be designed as such:

- Loan Guarantees— Structured similarly to those made available to airlines in their relief package. Given the capital characteristics of the industry, loans should be based on the ability to repay, not collateral.
- Grants— In the amount of approximately \$364 million to offset the damages incurred by the travel agency community during the week of September 11, 2001 through September 17, 2001 when virtually all commercial aircraft were grounded. This period resulted in essentially no recognizable revenue for the travel agency community.

The recommended package will give agencies the liquidity to keep business moving and to keep people employed. ASTA estimates that job losses will hover in the 100,000 range if immediate action is not taken. Additionally, I have had numerous discussions with travel agencies that are seeking bank loans during this troublesome time. Agencies that have longstanding relationships with banking institutions of all sizes are being declined for extended lines of credit because of the unpredictability of the industry.

While Rosenbluth International is thankful that the United States government has offered aid to the airlines, we are fearful that if aid is not extended to travel agencies, the travel industry will not rebound from the tragic events of September 11, 2001. The airlines are currently dependent on travel agencies as a major facet of the overall distribution channel and we seek to prove that the airlines will not and cannot handle the current volume of bookings that travel agencies facilitate. If agencies cannot succeed in the current industry climate, the U.S. economy would suffer a major hit.

The air travel business facilitated by travel agencies, including the hybrid Internet-based firms, continues to increase despite reduced commission structures imposed by the airlines through the years. Travel agencies currently facilitate reservations and ticket issuance of over 75 percent of all airline bookings.

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The airline community is dependent on agencies as their primary distribution channel and has, in essence, become the outsource entity for airline reservation and ticket fulfillment.

If the agency community became unavailable to corporations and the traveling public at large, the airline industry would need to hire approximately 300,000 reservationists to maintain the same volume of bookings.

Hiring approximately 300,000 reservationists would be a challenging endeavor for airlines, which have already had to close numerous reservation centers and lay off over 130,000 people due to the impact of the September 11 attacks. The distribution infrastructure does not exist within the framework of the airline industry and if they were to replicate it they would be forced to petition government for additional funding. The airlines would also be forced to ground their planes until a new reservation and distribution system could be created.

The traveling public continues to demand the services of travel agencies rather than other modes of purchasing. We have found that our clients have relied on us now more than ever before. The American people need us to reassure them of airline and airport safety and they rely on us, knowing that someone will help them get home if they are stranded.

In the days following September 11, agents across the country helped tens of thousands of people stranded by the nationwide airport closure. Agencies performed these services because they were the only people that could. The failure of travel agencies to keep their doors open could further reduce the number of people willing to travel.

To use Rosenbluth International as an example, we suffered through 10 days where we did not generate any perceivable revenue whatsoever while fielding close to 500% more calls as clients requested information on airport openings, flight schedules, arrival times, cancellations, etc., which increased our costs of service considerably.

On the days following the attacks, we issued a handful of tickets— normally we process 20,000 North America bookings per day. Today, we are hovering at around 12,000 bookings per day, 40 percent less than we were doing last year at this time.

This impact has caused us to furlough 20% percent of our North America workforce and

reduce associate benefits and salaries significantly. Not only are we the third-largest travel agency in the world but fortunately, also one of the most financially stable. However, I'm not here today to talk on behalf of Rosenbluth International, but to explain the plight of the travel agency community in general.

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The stories of the struggles of smaller agencies abound, many agencies reporting that their gross earnings for the week of September 11 were less than just \$50.00 (See Exhibit B).

Some statistics on the financial problem facing travel agencies include
(*data supplied by ASTA*):

- Between September 11 and September 17, 2001, agencies lost an estimated \$364 million due to the virtual cessation of new sales.
- Agencies are losing about \$26 million in airline sales-related revenue per day.
- Agencies lose about \$25 million per day in revenue from hotel sales (\$6.3 million), car rentals (\$4.3 million), cruises (\$10.2 million), tours, rail and other miscellaneous sales (\$4.6 million).
- For the four weeks following the attacks, it is estimated that total losses for all product lines are approximately \$1.36 billion.
- For the period through the end of 2002, estimated total loss for all product lines will exceed \$4 billion (see Exhibit C).

There are 28,939 ARC (Airlines Reporting Corporation) approved retail agency locations in the United States. Under normal times, these businesses handle an enormous volume of air travel. Through July of this year, travel agencies sold \$47 billion in airline tickets, averaging \$297 million per day. Travel agencies have processed over 113 million airline sales transactions so far this year. But few agencies will survive these kinds of losses.

I feel that it's imperative that Congress provides travel agencies with financial relief. Given the magnitude of the short-term losses and the uncertainty of near-term recovery, I am recommending an industry loan guarantee package structured similarly to the one made available to airlines. In addition, I recommend that grants be given in the amount of \$364 million to offset the damages incurred during the period of September 11, 2001 through September 17, 2001

when virtually all commercial aircraft were grounded. This federal relief package, I believe, will ensure the liquidity and viability of the agency community to prevent further employee layoffs and also ensure the vitality of the United States' economy.

About Hal F. Rosenbluth:

Harvard Business Review, *inc. Magazine*, *CIO Magazine*, *The Financial Times* and *Fortune* have recognized Hal F. Rosenbluth, chairman and CEO of Rosenbluth International, as an industry leader, a visionary and a trend-setter. Dozens of periodicals, including *USA Today*, *The New York Times*, *Wall Street Journal* and *Working Woman*, have recognized Mr. Rosenbluth's business philosophies and practices.

The Business Enterprise Trust honored Mr. Rosenbluth for his company's courage, integrity and social vision in business with its Business Enterprise Trust Award. The National Conference of Christians and Jews bestowed him with its 60th Anniversary Humanitarian Award for outstanding contributions to the advancement of respect and understanding among all people.

In response to widespread requests for information on Rosenbluth International's growth, corporate culture, and human development programs, Mr. Rosenbluth co-authored a book titled, *The Customer Comes Second and Other Secrets of Exceptional Service* (William Morrow, Inc. 1992). The book was an immediate best seller, and has since been translated and distributed in the Asia Pacific region, Europe and the Americas. In June of 1998, Mr. Rosenbluth released another book titled *Good Company (Caring as Fiercely as You Compete)* published by Addison-Wesley. This book focuses on how companies are able to change dramatically while holding fast to core values.

Mr. Rosenbluth joined the travel management firm in 1974 and worked in all areas of the company before being named president in 1985, CEO in 1987 and, most recently, chairman.

Rosenbluth International has grown steadily and rapidly under Mr. Rosenbluth's direction, with annual sales increasing from 20 million USD in 1974 to more than 6 billion USD today. Rosenbluth International now is the third largest travel management company in the world with corporate owned offices in 24 countries. Despite tremendous growth of the 108-year old organization, its commitment to providing the highest level of quality service has remained unchanged for more than a century.

The company also has received numerous honors for its dedication to its associates including being named as one of the ten best companies to work for in America in the book titled *The 100 Best Companies to Work for In America*, by Milton Moskowitz and Robert Levering, and ranked 29th in *FORTUNE* magazine's inaugural listing of the 100 Best Companies to Work for in America, which debuted in January 1998.

The company is also well known for its technological innovations, and was selected as part of *CIO* magazine's CIO-100 list of companies positioned for success in the 21st century. Most recently, the company was awarded the *Darwin Fittest 50 Award*, which recognizes organizations around the world that excel in enterprise foresight, innovation and adaptability.

As a public speaker, Mr. Rosenbluth is widely respected and in high demand. Highlights of his previous speaking engagements on management and technology include *CIO Magazine*, *CFO Magazine* and *Business Week* forums; conferences by Saturn and The American Bankers Association; and American Chambers of Commerce in Tokyo and Taipei functions.

Mr. Rosenbluth lives in Gladwyne, Pennsylvania with his wife, Renee and four children.

Exhibit A

Excerpt from:

Important Points Regarding Disaster Relief for Travel Agencies
From
The American Society of Travel Agents, Inc.

...Travel agencies need immediate cash infusions with a plan that includes these elements:

- Immediate cash to stabilize businesses, which may not be there by the time a more elaborate stimulus package is debated.
- Economic disaster loans that are industry-based not regional or size based.
- No-interest or low-interest loans below the current disaster loan level of 4% for SBA qualifying businesses.
- Loans should be based on the ability to repay not collateral.
- Loan forgiveness for agencies on the verge of bankruptcy.
- Loan abatement on both interest and principal to help travel agencies get back on their feet for SBA qualifying businesses.

Exhibit B

**TRAVEL AGENCIES IMPACTED BY AFTERMATH OF
TERRORIST ATTACKS**

(Excerpts of messages from various travel agencies reported to ASTA. ASTA reported these messages to the House of Representatives on September 25, 2001)

AGENCY spent most of last week servicing clients who needed travel rearrangements. Our net air income for the week was 38.97 USD. We have five front line agents and a small supporting staff. Our clients seem to appreciate all the work we are doing for them.

AGENCY employs three full time agents. Last week my net income from air sales were 32.21 USD. We have written one air ticket since Monday.... a ground operator for incentive groups ... yesterday, they had all of their fall groups cancel....Another ground operator here ... has had nine incentive groups cancel

AGENCY had a net revenue stream of 154 USD last week in an office of four full time people. Monday, September 17 we sold one airline ticket and no sales to Europe (our primary destination). Normally we receive 20 to 30 leads for European travel over the weekend... this week we have two leads. On Monday we also cancelled six passengers on escorted tours to China, representing more than 5,000 USD in lost commission income for October.

AGENCY will be laying off at least two people at the end of this week. Normal ARC week 100,000, last week less than 7,000 or gross income of 600. Lost in excess of 50,000 in tours prepaid and ready to go. Have waived fees for reaccommodations of people stranded. 12 full time people with one part time person. I figure it cost me about 9,000 loss to operate last week. Out of last weeks business, over 60 percent of what we did transaction wise was refunds. 75 percent of the call volume were from stranded passengers or calls from the emergency bank. We are taking calls daily from people who are [squeamish] about traveling. This is having a significant impact on our agency and if things do not change within 30-45 days, we will need to reduce hours and layoff agents to help us get through. This normally is our booking season for fall break and the holidays and as all agencies December traditionally is our slowest month.

AGENCY fared better than we did - we gave back more than we made resulting in a negative of 90.49 USD! Arc Report Ending Sep 16, 2001, 26 sales and 17 refunds; in addition, 9,000.00 USD paid in full on a tour on Monday, canceled on Tuesday. Several other trips cancelled for travel in October and even for Christmas. Unfortunately, the phone isn't ringing for new business to compensate for the cancellations.

AGENCY spent most of last week and the first part of this week assisting clients who could not get through to the airlines. Since September 11, 2001, we have processed 31,098.32 USD worth of air refunds and 19,889.00 USD in tour and cruise cancellation refunds. Since a large portion of the tour bookings were for inbound tourism, our commission income losses are

approximately 13,400.00 USD for last week alone.

Exhibit B continued...

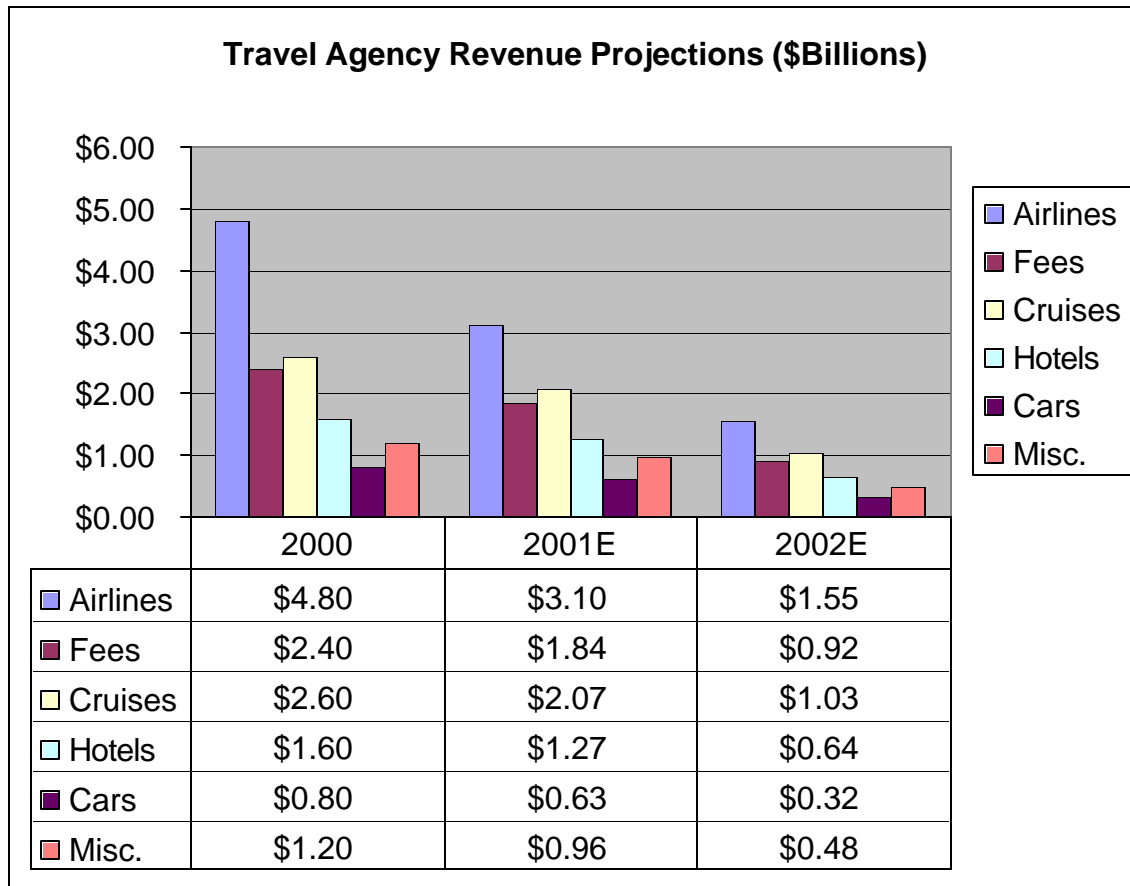
We see very little confidence with consumers in our area, as we are having people cancel their travel plans for December, January and February. We are trying to change their minds, but everyone seems to be depressed to think about travel right now.

AGENCY's agents spent 98 percent of their time last week servicing clients affected by this incident. We charge a processing fee for refunds and decided not to make an exception in this case. The only income we had last week was due to our processing fees, which totaled 1398.00 USD. Any other commission income was negated by commission given back on refunds.

Bottom line is that we lost money last week. That was not enough money to support one part-time and four full-time agents. This week will be even worse. There's very little income being generated and we will lose a lot of income due to the many tours that people have cancelled. Our agency has reduced all employees to ½ their regular hours (three full time & two part time employees). Owners will work without pay. Bill must be paid and there is no income....Cancelled trips this week along amount to over 50,000 USD. If I have to close my businesses, eight people will lose their jobs and the service we have provided to over 10,000 local residents and businesses over the last six years will cease.

AGENCY is a family operated agency Air sales for the past week were down over 60 percent. Air cancellations equaled sales leaving us with air sales almost equal to zero. Leisure bookings have come to a virtual halt with 15,000 USD in cancellations for packages under deposit. All calls this morning have centered about canceling ticketed air and canceling leisure travel scheduled to depart in the next few weeks. Total income for this office since September 11 has been negative. All activity has centered about getting clients home, rescheduling and canceling. No sales for futureSince the Sept. 11, we have sold only two airline tickets. No tours and no cruises ...

Exhibit C



**This data was collected by The American Society of Travel Agents. All air data is based on ARC statistics. All other data is based on 2000 Travel Agency survey, Travel Weekly and ASTA's Service Fee Survey.*

